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SUBJECT: ECONOMIC MINISTER ENDORSES FTA, LOOKS FOR UPSIDE OF DPW  
ISSUE WITH AMERICAN BUSINESS COUNCIL

REF: ABU DHABI 2461

1. (SBU) Summary: Sheikha Lubna Al Qassimi, UAE Minister of Economy and Planning, spoke to Dubai's American Business Council (ABC) September 13. In prepared remarks, she affirmed the UAE's commitment to free trade, and said a bilateral FTA with the US would benefit both the US and UAE. During the question and answer session, she said the UAE remains fully committed economically and politically to close ties with the U.S., despite the Dubai Ports World (DPW) episode. Recognizing the UAE's need to engage and inform both the Congress and US populace to avoid another DPW, Sheikha Lubna said her efforts to stress the number of American jobs UAE investment in the United States positively affects had borne fruit in the Doncasters deal. She indicated the UAE is focused on investing in the hi-tech and service industries at home, where she believes the UAE can have a comparative advantage. Responding to a question, Sheikha Lubna said the UAE's agency laws would not be addressed this year, but may be subject to review/revision next year. End Summary.

2. (SBU) Sheikha Lubna spoke to roughly 100 American business people in a lunch attended by the Ambassador and Consul General. She offered a broad outline of the UAE's current economic situation, and affirmed its commitment to free trade, including the US FTA negotiations. She said conclusion of an FTA would benefit both the US and the UAE, noting "FTAs play a positive role in breaking down protectionist barriers," a UAE goal.

3. (SBU) In response to a question, Sheikha Lubna said "the UAE remains fully committed economically and politically to the United States," despite the DPW episode. Sheikha Lubna thanked American businesses for lobbying in the US on the UAE's behalf in the DPW case. Citing her personal efforts, Sheikha Lubna stressed that she hoped to find opportunity in the adversity of the DPW issue. She underscored the importance of the UAEG working to share information and engage in outreach to both Congress, and America's general public, to avoid similar problems with UAE investment in the US. She said her efforts to highlight the number of American jobs this investment positively affects had been particularly effective. Sheikha Lubna pointed out that the subsequent UAE purchase of the Doncaster's Group's US holdings had gone smoothly, and expressed hope that greater dialogue will result in a permanent positive change in US perceptions of UAE and its commitment to security.

4. (SBU) In a broader discussion of the UAE's economy, Sheikha

Lubna said the country is focused on capital investment in hi-tech and service industries, where it can have a comparative advantage. In five years, she believes Dubai's GDP will be most defined by the service and tourist industries. Regarding UAE agency laws - a particular bane to the expat business community -- Sheikha Lubna said that while the agency law has its roots in a much different UAE economy of the past, it would be unfair and a mistake to simply wipe out all agency agreements. She stressed the need to dismantle the agency laws piece by piece, so UAE entities that have invested significant amounts of money establishing and promoting the presence of foreign companies here are not mistreated. She said the legislative committee she chairs does not plan to do away with agency laws this year, but may address them next year.

15. (SBU) Comment: Sheikha Lubna's positive remarks demonstrate the UAE's continued public commitment to the FTA. Privately, UAE officials also continue to stress the UAE's commitment to an FTA. They are, however, expressing concern about the very serious remaining gaps, including in the energy sector and in labor rights. In June, Sheikha Lubna told the Ambassador that she was facing increasing local opposition to the FTA in the wake of the DP World incident (reftel). The UAE is taking some steps to amend the Agencies law with an eye to making it less onerous, including requiring mutual consent to renew an agreement and limiting the agency agreement to the term of the contract. However, it is still too early to tell whether how effectively these changes will be implemented in practice. On September 11, U.S. business representatives told Ambassador and visiting EB A/S Dan Sullivan that Emiratis still viewed agencies agreements as "evergreen" (i.e., perpetually renewable). The press reports that the UAE de registered 720 trade agencies in the first 8 months of 2006 and that 2349 trade agencies agreements were renewed during the same period of time.

6.(U) This cable has been cleared by the Ambassador.

SUTPHIN